Pension Protection Fund

Guidance for undertaking the actuarial valuation of a closed scheme in accordance with Section 156 of the Pensions Act 2004

Version C5

January 2024

Contents

Part 1 – Overview

1.1 Process

1.1.1 The Pensions Act 2004 ("**the Act**") sets out the conditions that must be met for the Board of the Pension Protection Fund to assume responsibility for a scheme.

1.1.2 A scheme will become a **closed scheme** where:

- the binding section 143 valuation (entry valuation) completed during its assessment period had a funding level of 100% or greater;
- there is a binding scheme failure notice in relation to it;
- it has been unable to obtain a full buy-out quotation; and
- it has applied to the PPF, under section 153(2) of **the Act** and the PPF has authorised it to continue as a **closed scheme** under **the Act**.

1.1.3 The trustees of a **closed scheme** are required to obtain actuarial valuations of the scheme, at intervals prescribed by legislation.

1.2 Purpose of this guidance

1.2.1 This guidance is for actuaries undertaking **closed scheme** valuations to determine the levels of funding in accordance with section 156 of **the Act**. Section 156 of **the Act** requires a **closed scheme** valuation to be carried out in accordance with guidance issued by the PPF and for that valuation to be verified by the PPF. It should be used in conjunction with "Guidance on assumptions to use when undertaking a valuation in accordance with Section 143 of the Pensions Act 2004" (the "**s143 assumptions guidance**") and the "Guidance on assumptions to use when undertaking a valuation in accordance with Section 179 of the Pensions Act 2004" (the "**s179 assumptions guidance")** applicable at the **effective date** of the valuation.

1.2.2 **The Act** and the Pension Protection Fund (Closed Schemes) Regulations 2007 (the "**Closed Scheme Regulations**") set out the principles relating to the valuation with this guidance setting out the detail required by legislation. (The actuary may of course include further information in their report where he or she considers that the Trustees of the scheme may find such information useful.)

1.3 Purpose of the closed scheme valuation

1.3.1 The purpose of a **closed scheme** valuation is to enable the trustees of the scheme to determine:

(i) what benefits are payable under the scheme rules; and

(ii) whether to make an application to the PPF for it to assume responsibility for the Scheme.

1.3.2 Once the valuation has been prepared, the PPF must verify it[1].

1.3.3 Where the **closed scheme** valuation establishes that the assets of the scheme are not sufficient to meet the **protected liabilities** the trustees must apply to the PPF for it to assume responsibility for the **closed scheme**. Where the PPF receives such an application a further assessment period will begin in relation to the scheme. During that assessment period a further section 143 entry valuation will be undertaken to establish whether the PPF is required to assume responsibility for the scheme.

1.3.4 Unless an application is made to the PPF for it to assume responsibility for the scheme, the scheme will continue as a **closed scheme**. The amount of benefits payable while the scheme is a **closed scheme** not in an assessment period will be at an appropriate level having regard to the funding level indicated by the comparison of **full scheme liabilities** and the assets.

1.4 Legislative requirements

1.4.1 The trustees or managers of **closed schemes** are required to obtain actuarial valuations at intervals prescribed by legislation.

1.4.2 The **effective date** of the first **closed scheme** valuation should be either:

- within 3 years after the **effective date** of the section 143 (entry) valuation; or
- where the scheme was not authorised as a **closed scheme** within 3 years of the **effective date** of the section 143 (entry) valuation, within 15 months of the **determination date**, as defined in the next paragraph.

1.4.3 Where the trustees of a scheme have applied for authorisation to continue as a **closed scheme**, the PPF issues a determination notice to confirm whether the scheme is authorised to continue as a **closed scheme**. The PPF's determination notice is subject to a review period before it becomes binding. The day on which the determination to authorise the scheme as a **closed scheme** becomes binding is called the **determination date**.

1.4.4 Subsequent **closed scheme** valuations shall be obtained with an **effective date** within 3 years after the **effective date** of the most recent **closed scheme** valuation.

[1] Paragraph 7 of Part 1 of the Schedule to the **Closed Schemes Regulations**

Multi-employer schemes

1.4.5 Where as part of the assessment period the scheme was assessed by reference to sections and/or segregated parts, separate section 156 valuations will be required for each separate section or segregated part of the scheme.

1.4.6 The Pension Protection Fund (Multi-employer Schemes) (Modification) Regulations 2005 SI 2005/441 provide details of the treatment of non-segregated and segregated schemes.

1.5 Completion of the valuation and by when?

1.5.1 The actuarial valuation must be prepared and signed by the actuary appointed under section 47(1)(b) of the Pensions Act 1995 in relation to the scheme, or if no such actuary has been appointed

(i) a person with prescribed qualifications or experience, or

(ii) a person approved by the Secretary of State.

The prescribed qualification is set out in Regulation 5 of the **Closed Schemes Regulations**.

1.5.2 A **closed scheme** valuation must be signed and submitted to the trustees of a **closed scheme** within 15 months of its **effective date**.

1.5.3 Before a **closed scheme** valuation is signed by the actuary, it must have been verified by the PPF.

1.5.4 At the start of the process of completing a **closed scheme** valuation, please 1 the PPF to notify them that you will be submitting a **closed scheme** valuation for verification and when you anticipate submitting that valuation.

1.5.5 Notifications of valuations and draft section 156 valuations should be sent by email to s156PPF@ppf.co.uk

1.5.6 For further details about **closed schemes** please visit the Pension Protection Fund website at: www.ppf.co.uk

1.5.7 The contact address for the PPF is:

Pension Protection Fund
Renaissance
12 Dingwall Road
CROYDON
CR0 2NA

Tel: 0345 600 2541

1.6 Legislation or authority for actuarial valuations

The following lists key legislation that is relevant to section 156 valuations but is not intended to be comprehensive.

The Pensions Act 2004 (**the Act**), in particular section 156, section 162 and Schedule 7

The Pensions Act 2008

The Pension Protection Fund (Closed Schemes) Regulations 2007 SI 2007/865

The Pension Protection Fund (Partially Guaranteed Schemes) (Modification) Regulations 2005 SI 2005/277

The Pension Protection Fund (Compensation) Regulations 2005 SI 2005/670

The Pension Protection Fund (Multi-employer Schemes) (Modification) Regulations 2005 SI 2005/441

The Pensions Act 2011 (Transitional, Consequential and Supplementary Provisions) Regulations 2014

The Pensions Act 2011 (Consequential and Supplementary Provisions) Regulations 2014

The Pension Protection Fund (Compensation) (Amendment) Regulations 2018 SI 2018/95

All legislation made under and/or modifying any of the above.

Note: It is the responsibility of the actuary to ensure the valuation is compliant with all relevant legislation in force at the date of signing the report

Part 2 – Effective date of Guidance

2.1 This is version C5 of the guidance.

2.2 This guidance is relevant for actuaries undertaking a valuation of a **closed scheme** in accordance with section 156. It must be used for valuations with an effective date on or after 1 January 2024.

2.3 The assumptions to be used for a **closed scheme** valuation are the same as those relevant to a section 143 valuation. However, the financial assumptions relevant to a s179 valuation may be used instead of the s143 valuation assumptions. This guidance should therefore be read in conjunction with the relevant version of our "*Guidance on assumptions to use when undertaking the valuation in accordance with Section 143 of the Pensions Act 2004*" (the "**s143 assumptions guidance**") and the relevant version of our *"Guidance on assumptions to use when undertaking a valuation in accordance with Section 179 of the Pensions Act 2004"* (the "**s179 assumptions guidance**") in force at the **effective date** of the valuation.

2.4 This guidance note will be reviewed at regular intervals as the PPF deems appropriate.

2.5 Additional information that may be of use to the actuary carrying out the section 156 valuation is available on the Pension Protection Fund website in the form of an **additional information document** – "Additional information for carrying out a section 143 valuation".

2.6 It is important to read and consider the **Hampshire, Hughes and Bauer note** - "Information for valuing benefits in respect of the Hampshire, Hughes and Bauer judgments in a section 143 valuation" – published on our website.

2.7 The information set out in the **Hampshire, Hughes and Bauer note** (including in respect of the removal of the PPF compensation cap which previously applied) is also relevant to section 156 valuations with an effective date before 1 January 2024, and therefore under previous versions of the guidance.

2.8 **Note that, since the Hughes judgment in July 2021, the PPF compensation cap no longer applies for any period and references to the compensation cap have since been removed from PPF legislation, therefore the compensation cap must not be used in the calculation of PPF compensation in the section 156 valuation.**

2.9 **For schemes with an assessment period starting on or after 2 January 2024, the Retained EU Law (Revocation and Reform) Act 2023 ("the REUL Act") disapplies the Bauer judgment and therefore no allowance should be made for Bauer when calculating the protected liabilities for a section 156 valuation.**

Part 3 – Valuation method

3.1 For each scheme member, the **protected liabilities** must be calculated as the present value of the accrued benefits using the assumptions specified in the version of the **s143 assumptions guidance** in force at the **effective date** (financial assumptions as specified in the version of the **s179 assumptions guidance** in force at the effective date may be used**)**. Alternative assumptions may be used in certain circumstances. See Part 4 for details.

3.2 Any reasonable age definition may be used for the purpose of the calculation provided consistency with the revaluation and increase periods can be demonstrated. The age definition should be stated within the report.

3.3 The amount of the **protected liabilities** should be determined at the **effective date** in accordance with Schedule 7 to **the Act**, the associated regulations and the scheme's admissible rules (as defined in paragraph 35 of Schedule 7).

3.4 The amount of the **full scheme liabilities** should be determined at the **effective date** as the estimated cost of securing scheme benefits as set out under the trust deed and rules of the scheme.

3.5 The **effective date** means the day at which the assets are valued and the **protected liabilities** and **full scheme liabilities** are calculated. Details of the information that must be provided in the audited accounts at the **effective date** are provided in Part 2 of the Schedule to the **Closed Schemes Regulations**.

The market indices used to determine the financial assumptions for the purpose of the valuation should be based on close of business on the **effective date**. Where market indices are not published for that date, those for close of business on the latest available prior date should be used.

3.6 Where the actuary decides to make any approximations in the calculation of **protected liabilities** or assets, other than those agreed with the Board in accordance with paragraph 5.19 or 6.8 of this guidance, he or she should confirm that the overall impact of these approximations is not material to the result of the valuation. Material in this context is defined as being a difference of more than 1% between the approximate and accurate values of the **protected liabilities**.

3.7 No approximations should be made in the calculation of **full scheme liabilities** or assets unless the scheme is shown to be underfunded in respect of **protected liabilities**.

Part 4 - Alternative assumptions

4.1 When calculating the **protected liabilities** the appointed actuary may be permitted to use different assumptions (including for discount rates) to those prescribed in the **s143 assumptions guidance or s179 assumptions guidance** where:

- it is considered that the assumptions set out in the assumptions guidance are not appropriate to the particular circumstances of a scheme; **and**
- the result would be a change in the funding level from greater than 100% to less than 100%, or vice versa.

4.2 The assumptions where changes may be permitted are:

- base mortality including age ratings (but excluding mortality improvements);
- proportions married;
- age differences between members and dependants;
- children's pensions; and
- expenses of wind-up and/or benefit installation / payment expenses.

In such cases, the appointed actuary must obtain the prior agreement of the Board of the Pension Protection Fund to the use of different assumptions to those prescribed in the s143 assumptions guidance or s179 assumptions guidance. Please contact your Scheme Delivery Associate to discuss the evidence that will need to be provided to the Board.

Part 5 – Liabilities

5.1 The **closed scheme** valuation should include an assessment of the **protected liabilities** and the **full scheme liabilities** calculated in accordance with this guidance.

Protected Liabilities

5.2 The scheme's protected liabilities are defined in section 131 of **the Act**. As set out in the **closed scheme** valuation certificate they comprise:

- **a** Liabilities for and in respect of members which correspond to the compensation that would be payable with effect from the **effective date** (assuming there had been an insolvency event on the day after the **effective date**) excluding benefit installation/payment expenses and cost of winding-up
- **b** Liabilities other than for and in respect of members
- **c** Benefit installation/payment expenses
- **d** Estimated cost of winding-up

5.3 Further information on determining Protected Liabilities

- **a** The amount of the **protected liabilities** relating to benefits for or in respect of members shall be the estimated cost of securing these benefits to members by purchasing an annuity at the best value rate available in the market as estimated by the Board. They should be valued at the **effective date** (see 3.5).

  The **protected liabilities** should be determined using the assumptions set out in the separate **s143 assumptions guidance** (financial assumptions may be those set out in the separate **s179 assumptions guidance**) unless prior written agreement has been obtained from the **Board** to the use of alternative assumptions

  Additional information on the benefits to be valued are provided in the document – "Additional information for carrying out a section 143 valuation" available on the PPF website.

  The **Hampshire, Hughes and Bauer note**, also available on the PPF website, provides additional information on how to allow for the Hampshire, Hughes and Bauer court judgments and associated legislation, where appropriate, when calculating the **protected liabilities.**

The Bauer judgment should be disregarded for schemes with an assessment period commencing on or after 2 January 2024.

b The amount of liabilities that are not for or in respect of members shall be determined in accordance with sections 131 and 156 of **the Act** and this guidance. These are liabilities that do not fall due to the members of the scheme and include items such as fees due to professional advisors.

c Details of how to calculate benefit installation/payment expenses are set out in the **s143 assumptions guidance**.

d Details of how the estimated cost of winding-up should be calculated are also set out in the **s143 assumptions guidance**.

Full scheme liabilities

5.4 The scheme's full scheme liabilities are defined in section 156(6) **of the Act.** As set out in the **closed scheme** valuation certificate they comprise**:**

a Liabilities under the scheme rules to and in respect of members, excluding benefit installation/payment expenses and cost of winding-up

b Liabilities other than for and in respect of members

c Benefit installation/payment expenses

d Estimated cost of winding-up

5.5 The actuary should determine the assumptions required to calculate the **full scheme liabilities**, having regard to the scheme's status. Additional assumptions compared to those set out in the **s143 assumptions guidance (or s179 assumptions guidance)** may be required to make allowance for the actual benefits provided by the scheme. Full details of the assumptions that the scheme actuary is proposing to use for calculating **full scheme liabilities** should be provided to the PPF for agreement before they are used in the s156 valuation.

5.6 In accordance with section 156(4) of **the Act** any provision in the scheme rules which limits the amount of the scheme's liabilities by reference to the value of its assets is to be disregarded in calculating the amount of the **protected liabilities** and **full scheme liabilities**.

5.7 **The Act** provides that in certain circumstances where the Board of the Pension Protection Fund is satisfied that it is not possible to identify one or more elements of the benefit formulae as defined in Schedule 7 to **the Act**, he or she may determine how the benefit should be calculated. Where this is the case the actuary or trustees should request guidance from the PPF. Where the PPF has previously given guidance to the actuary or trustees for the purposes of the section 143 valuation or previous **closed scheme** guidance, there is no requirement to seek further guidance unless either the trustees or actuary are aware of a material change of circumstances.

5.8 For schemes with a partial Crown guarantee, the valuation should only be of the part of the scheme that is not covered by the Crown guarantee.

Underpins and top-ups

5.9 For underpins or top-ups where a defined contribution amount is compared with a defined benefit alternative, the assets and **protected liabilities** will relate to only those members where the defined benefits exceed the defined contribution benefits at the **effective date**.

5.10 The calculation for each individual should consider whether the underpin bites at the **effective date** using the current scheme methodology and s143 valuation assumptions (or the s179 valuation financial assumptions).

5.11 Only those members for whom the defined benefits exceed the defined contribution benefits at the **effective date** should be included in the **protected liability** calculations. The 90% level should be applied to the defined benefit members of the scheme (after the underpin/top-up test has taken place).

5.12 Members where the defined contribution benefits exceed the defined benefits should be treated as defined contribution members. Both their defined contribution benefits and corresponding assets should therefore be excluded from the valuation.

5.13 In a defined contribution scheme with a defined benefit underpin, for any period of service where the defined benefit underpin would not apply, the corresponding assets and **protected liabilities** should be excluded from the valuation.

5.14 In a defined contribution scheme with a defined benefit underpin that only applies for a particular period of service, the member's fund in relation to that period of service alone should be compared to the underpin.

Money purchase benefits

5.15 Any money purchase benefits should usually have been discharged during the assessment period i.e. prior to the scheme having been permitted to continue as a **closed scheme**.

5.16 If any money purchase benefits remain then they should be excluded from both the **protected liabilities** and **full scheme liabilities** valuation. Please contact the PPF in such cases.

5.17 The actuary should be aware that the definition of "money purchase" changed on 24 July 2014. Where this caused a benefit to change status between the original s143 valuation and the s156 valuation, the actuary should discuss the appropriate treatment with the PPF.

5.18 When the definition of money purchase changed there was transitional protection afforded in certain. Where non-money purchase benefits were discharged from the scheme under the transitional protection, these should be excluded from the s156 valuation. Any benefits that have not been discharged must be included in the s156 valuation.

Approximations in the calculation of the protected liabilities

5.19 The PPF **may**, having taken into account the circumstances of the scheme, allow approximations to be made in calculating the **protected liabilities**. Such an approach may be used where it will not alter whether or not the value of the assets of the scheme was less than the value of the **protected liabilities** of the scheme at the **effective date**.

- If a scheme is overfunded in relation to **full scheme liabilities** then an approximation over-estimating the **protected liabilities** may be permitted.
- If a scheme is underfunded for the purpose of section 156 of **the Act** in relation to **protected liabilities** then an approximation under-estimating the **protected liabilities** may be permitted.

The actuary may wish to obtain the agreement of the PPF, prior to verification, if they wish to make any such approximations in their calculation of the protected liabilities.

The **Hampshire, Hughes and Bauer note,** available on our website, sets out a number of simplifications that can be adopted in certain circumstances when allowing for the impact of the Hampshire, Hughes and Bauer judgments and associated legislation on the **protected liabilities**.

Approximations in the calculation of full scheme liabilities

5.20 We do not envisage that it would be appropriate to make material approximations in calculating the value of the **full scheme liabilities** unless the scheme is shown to be underfunded in respect of **protected liabilities**.

Multi–employer schemes

5.21 Separate section 156 valuations will be required for each separate section or segregated part of a scheme setting out the assets, **protected liabilities** and **full scheme liabilities** attributable to that section or segregated part.

Cash balance schemes

5.22 The section 143 guidance gives detailed guidance on how to value the liabilities of cash balance schemes.

Part 6 – Assets

6.1 Assets must be taken into account as specified in the **Closed Schemes Regulations**.

6.2 The actuary must treat as an asset of the scheme any **section 75** debt of the Pensions Act 1995, and amounts due under contribution notices, financial support directions and restoration orders to the extent that he or she believes they will be recouped by the **closed scheme**.

- This applies only where the Regulator issues a contribution notice, financial support direction or restoration order prior to the **effective date** of the valuation. (It doesn't apply to section 75 debt.)
- If there are no such assets, the actuary should make a comment to that effect in the valuation report.

6.3 In certain circumstances the actuary may assign a different value to an asset from that shown in the relevant accounts if it is considered appropriate. This adjustment may not be made for changes in the market value of the assets that have accrued after the **effective date**. Details of any amendments and additions should be provided in the valuation results report by setting out both:

- the amount of any adjustment; and
- that the adjustment has been made under paragraph 6(4)(c) of Part 1 of the Schedule to the Closed Schemes Regulations.

6.4 Any remaining assets in respect of money purchase benefits must be disregarded in accordance with section 156(6) of **the Act** (which provides that assets do not include assets representing the value of any rights in respect of money purchase benefits under the scheme rules).

6.5 Any insurance policies should be valued in accordance with paragraph 6(2)(a), (b) or (c) of Part 1 of the Schedule to the **Closed Schemes Regulations**. (This applies to both pre 97 contracts of insurance and post 97 contracts of insurance.) The actuary should state in the report the value placed on any policy, the relevant sub-paragraph of the regulations that has been used to assess this value and the reason why that sub-paragraph is appropriate.

Relevant contract of insurance

6.6 The value to be placed on any relevant contract of insurance should take into account the benefits that the contract actually provides.

- This value should be determined using section 143 assumptions, adjusted to make allowance for the benefits provided by the policy, e.g. pension increases, the level of contingent benefits, any guarantees etc.
- Details of any additional assumptions used to value the relevant insurance policies should be set out in the valuation report, with justification for the assumptions adopted.
- Details of the calculations of the value placed on the policies should be provided to the PPF using the electronic version of the Data and Liability Information spreadsheet, available on the PPF website.

Contracts used to hedge mortality and other demographic risks

6.7 Contracts used to hedge mortality and other demographic risks may in some circumstances be allowed for in the value of assets for s156 purposes. Such contracts are typically written in the form of an insurance contract or a derivative contract. If the contract is a relevant contract of insurance as described under Regulation 7(2)(a) of the **Valuation Regulations**, the method described below is a suitable method to adopt to determine any additional asset value to be allowed for. The asset value should be adjusted in accordance with this regulation.

If a contract used to hedge mortality and other demographic risks is not an insurance contract, nor a relevant contract of insurance, then the value placed on the contract using the method described below would need to be included in the audited accounts in order for the contract to be included as an asset of the scheme for s156 purposes and the approach would need to be agreed by the auditor. If the contract is not included in the audited accounts, or is not a relevant contract of insurance and therefore not an acceptable non-accounts asset, it will not be included in the assets of the scheme.

Contracts used to hedge mortality and other risks typically take the form of a derivatives arrangement with two income streams, or ‘legs’:

(1) a “fixed leg” which will be payable by the trustees to the provider equal to the cash flows that would be payable for the class of membership concerned on a pre-agreed demographic basis, and;

(2) a “floating leg” which will be payable by the provider to the trustees equal to the cash flows actually payable for the class of membership concerned.

The value of the contract can be taken as the net present value of the floating leg less the net present value of the fixed leg, net of any contract expenses. These expenses might, for example, be expressed as a fixed percentage of the agreed payments comprising the "fixed leg".

Where the above approach produces a negative overall value, it should be used to reduce the value of the scheme's assets. When valuing the cash flows, the financial and demographic assumptions set out in the relevant version of the **s143 assumptions guidance** and **s179 assumptions guidance** being used to carry out the s156 valuation should be used. It is anticipated that the calculations in respect of the fixed leg will be largely independent of demographic assumptions, due to the nature of the payments under this leg. Where assumptions don't exist, for instance because the contract allows for increases to pensions in payment not in line with PPF compensation then reasonable assumptions consistent with the appropriate assumptions guidance should be adopted.

For demographic hedging contracts that run for a fixed term with a termination payment at the end of the term, the value should allow for this termination payment (which may be a payment from the Trustees to the provider or vice versa).

Approximations in the calculation of the assets

6.8 The PPF **may**, having taken into account the circumstances of the scheme, allow approximations to be made in calculating the value of the assets to be used in determining the funding level in relation to **protected liabilities**. (We do not envisage that it would be appropriate to make material approximations in calculating the value of the assets to be used in determining the funding level for **full scheme liabilities** unless the scheme is shown to be underfunded in respect of **protected liabilities**.)

The actuary may wish to obtain the agreement of the PPF, prior to verification, if they wish to make any such approximations in their calculation of the value of the assets.

Part 7 – Data

7.1 The actuarial report should summarise the checks that the actuary has undertaken to assure himself or herself of the accuracy of the data. As stated in the **closed scheme** valuation certificate, the actuarial report must detail any residual concerns regarding the data, or indicate if no such concerns exist.

Part 8 – Reporting

8.1 A **closed scheme** valuation is required to be determined, calculated and verified in accordance with the **Closed Schemes Regulations**. The **Closed Schemes Regulations** require the valuation to be verified by the PPF.

8.2 The report must provide all the information set out in the **Closed Schemes Regulations** and this guidance. Details of the items required are provided below.

Determination date and guidance used

- The **determination date**.
- The versions of both this guidance and the **s143 assumptions guidance** and **s179 assumptions guidance** (if applicable) that have been used.

Assumptions

- Details of all the assumptions (financial and demographic) used in the calculations should be set out in the valuation report.
- Full details of all the assumptions used to value full scheme benefits must be included with justification of how the assumptions have been calculated, if appropriate. Confirmation that the PPF has agreed the assumptions used for calculating full scheme benefits must also be provided.
- The assumption regarding the proportions married, used in valuing contingent benefits, must be justified by making reference to the scheme rules.
- All assumptions used in calculating the value of insurance policies must be included with justification of how the assumptions have been calculated, if appropriate.
- Details of the assumptions used to calculate the expenses.
- A description of the definition used to calculate the members' ages.

Data and Liability component information

- This should be provided using the electronic version of the Data and Liability Information spreadsheet, which is available on the PPF website.
- Details regarding the valuation of insurance policies should also be provided on the relevant section of the Data and Liability spreadsheet.

Protected liabilities information

- Where, for a membership category, tranches of benefits are payable at more than one normal pension age, then there should be more than one row (each corresponding to a different normal pension age) for that membership category.
- Where individual members have more than one normal pension age, then these members will contribute data to more than one row in a particular category.

Full scheme liabilities information

- For each membership category, benefits will need to be split according to normal pension age, the rate of revaluation in deferment and rate of increase to pensions in payment.
- Individual members may therefore contribute data to several different rows in the full scheme liabilities section of the Data and Liability spreadsheet.

Data

- The valuation report must summarise the checks the actuary has undertaken to assure themselves on the accuracy of the data.
- A statement must be made in the report regarding any residual concerns the actuary has about the data (see also 7.1). If the actuary has any residual concerns then a further statement should be made quantifying the possible effect of these concerns and the impact it may have on the **protected liabilities**.

Scheme benefits

- The PPF shall be provided with a summary of the main benefit provisions of the scheme relevant to valuing full scheme benefits including normal pension ages, rates of revaluation in deferment, rates of increases to pensions in payment, details of death benefits, details of any guarantees and details of any underpin etc.
- If any DC benefits (including DC AVC arrangements) remain within the scheme, details of these arrangements should be provided.
- A statement should be made in the report indicating if the scheme has equalised benefits for GMPs

Assets

- A statement must be made in the report about whether there is a section 75 debt, contribution notice, financial support direction or a restoration order.

- Reconciliation between the asset value from the relevant accounts (as defined in Part 1 of the Schedule of the **Closed Schemes Regulations**) and the asset value used in the valuation figures must be provided. Details of the appropriate section of the Schedule of the **Closed Schemes Regulations** used to make each adjustment to the assets must be provided where this has been used.

Approximations

- Where the actuary has made any approximations under part 5.19 or 6.8 of this guidance in calculating the **protected liabilities**, **full scheme liabilities** or value of the assets he or she should:

  - provide details in the report to the approximations made;
  - confirm that any approximations made (under part 5.19 or 6.8 of this guidance) have been previously agreed with the PPF; and
  - make a statement that the effect of the approximations will not change whether the scheme is funded above or below 100% of the **protected liabilities**.

Closed Scheme valuation certificate

- The actuary should complete the certificate in draft included as Appendix 1 to this guidance.

- The draft certificate should be sent to the PPF along with the valuation report for verification.

- The actuary should not amend the wording in the certificate but may make deletions to the wording, as indicated.

8.3 The report should be submitted in the form which the actuary intends to sign and date once the Board has verified it. The actuary's full name should be printed below his or her signature. The actuary's professional qualification and employer's name should also be stated.

Part 9 – Glossary

Additional information document – this document is titled "Additional information for carrying out a Section 143 valuation" and is published on our website

s143 Assumptions guidance - "Guidance on assumptions to use when undertaking a valuation in accordance with Section 143 of the Pensions Act 2004", available on our website.

s179 Assumptions guidance - "Guidance on assumptions to use when undertaking a valuation in accordance with Section 179 of the Pensions Act 2004", available on our website.

The Act – the Pensions Act 2004

Closed scheme – a scheme where:

- the binding section 143 valuation (entry valuation) completed during its assessment period had a funding level of 100% or greater;
- there is a binding scheme failure notice in relation to it;
- it has been unable to obtain a full buyout quotation; and
- t has applied to the PPF, under section 153(2) of **the Act** and the PPF has authorised it to continue as a **closed scheme** under **the Act**.

Closed Schemes Regulations – The Pension Protection Fund (Closed Schemes) Regulations 2007

Determination date – this is the date on which the determination to authorise the scheme as a **closed scheme** becomes binding

Effective date – The date of the valuation, the definition of which is given in Regulation 1 (and 3) of the **Closed Schemes Regulations**

Full scheme liabilities – these are defined in section 156(6) of **the Act**

Hampshire, Hughes and Bauer note – this note is titled "Information for valuing benefits in respect of the Hampshire, Hughes and Bauer judgments in a section 143 valuation" and is published on our website

Protected liabilities – the liabilities used in the section 156 valuation, as defined in section 131 of **the Act**

Section 75 – under section 75 of the Pension Act 1995 a debt falls on a sponsoring employer when it exits a pension scheme

Appendix 1 - Certificate for the purposes of section 156 of the Pensions Act 2004

Scheme name:

Effective date:

End of period covered by relevant accounts:

Version number of section 156 guidance used:

Version number of section 143 assumptions used:

Version number of section 179 assumptions used *(if applicable or state if not applicable)***:**

Protected liabilities		**£'000**
a	Liabilities for and in respect of members, excluding benefit installation/payment expenses and cost of winding-up	
b	Liabilities other than for and in respect of members	
c	Benefit installation/payment expenses	
d	Estimated cost of winding-up	
Total		

Assets	**£'000**
Funding level for protected liabilities in accordance with section 156 of the Pensions Act 2004	**%**

Full scheme liabilities		**£'000**
a	Liabilities for and in respect of members, excluding benefit installation/payment expenses and cost of winding-up	
b	Liabilities other than for and in respect of members	
c	Benefit installation/payment expenses	
d	Estimated cost of winding-up	
Total		

Assets	**£'000**
Funding level for full scheme liabilities in accordance with section 156 of the Pensions Act 2004	**%**

I certify that the protected liabilities and full scheme liabilities have been determined in accordance with the provisions of the section 156 of the Pensions Act 2004 and regulations made thereunder and the guidance issued by the Board of the Pension Protection Fund.

I have no / some* residual concerns regarding the completeness and accuracy of the data used in this valuation. The formal report on the actuarial valuation details my residual concerns where appropriate.

*delete as appropriate

A copy of the formal report on the actuarial valuation for the purposes of section 156 of the Pensions Act 2004 is attached.

Signature .... Date.......................

Name..

Qualification...

Employer..